FIN320: Money and Banking

*Driehaus College of Business, DePaul University*

Syllabus:: Autumn 2021 :: Section :: Time

*Instructor: Nancy Hammond, Ph.D., Adjunct Professor of Finance*

*Classroom:*

*Office Hours: Wednesdays 2:00pm-4:00pm and by appointment*

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Course Objectives (Learning Goals)

Money and banking are at the core of finance. We will learn: (1) how financial markets determine interest rates and why different assets earn different rates of return; (2) the economic functions of financial services firms; (3) how the central bank and financial services firms interact to create liquidity in the financial system; (4) the role of the central bank in the economy and the conduct of monetary policy; (5) how the shadow banking sector works and the problems it poses for our financial system; (6) how shocks like financial crises, flash crashes, dash for cash challenge our financial system and the role of regulation of financial services firms;

REQUIRED TEXTBOOKS

The Economics of Money, Banking, and Financial Markets, 13th edition

Available at the DePaul Bookstore.

<https://www.pearson.com/store/p/the-economics-of-money-banking-and-financial-markets/P100003054016>

The MyEconLab course ID.

Matthias Doepke, Andreas Lehnert, and Andrew Sellgren. Macroeconomics

Can be found online: [Matthias Doepke (northwestern.edu)](https://faculty.wcas.northwestern.edu/~mdo738/book.htm)

REQUIRED NEWS SOURCE

Recommended News Sources

Bloomberg News: <http://www.bloomberg.com>

Financial Times (free subscription available through Finance Department): https://registration.ft.com/corporate/signup/32N1HnaKZBMY1

CME Group **InFOCUS: What’s trending in futures and options?**  newsletter

*https://www.cmegroup.com/activetrader/offers/infocus?gclsrc=aw.ds&gclid=Cj0KCQjw5uWGBhCTARIsAL70sLJz2qYv2AxBMo4uCS\_wNHW11qUDPLRXgq\_ERGvDMXgqgcpUGdlYNV8aAtKYEALw\_wcB&gclsrc=aw.ds*

Teaching Philosophy

My goal is make you aware of the depth of our financial system, the importance of financial stability for the economy, the rich variety of money like assets like Fed Funds, Eurodollars, and US Treasury bills, and the central role of these money-like assets in our economy. In Chicago, we are blessed have neighbors like the CBOT and the CME Group which trade these assets daily. In this course you will learn how to calculate interest rates for different assets, and understand what the term structure of yields of US Treasury bills, notes, and bonds means for the economy. We will cover how financial markets and financial institutions work, the role of the Fed, and how fragilities like the run on repo and securitized banking in the 2008 financial crisis, the September 2019 repo spike, and the March 2020 dash for cash challenge regulators. The textbook as a framework and context for the course. Podcasts, articles by market participants, academics, financial markets, and Fed officials bring the text to life.

Quentin Vandeweyer (@QuentinVandewe2) tweeted at 7:17 AM on Mon, Aug 23, 2021:  
Money Markets in a New Era of Central Bank Policies conference at @SHouseofFinance is starting in 45 minutes. We added new virtual seats and a youtube stream. Join us for exciting discussions:  
<https://t.co/QFHIds7uSu> <https://t.co/7soUocG4wQ>  
(<https://twitter.com/QuentinVandewe2/status/1429779736620900357?s=03>)

The sharp decline in graphs of balance sheets and leverage of primary dealers and rise in other platforms is what made me react, I should have told Robert about this conference.  I cannot find any document that goes with Shin's presentation but will continue looking for it:

Hyun Song Shin  [Hyun Song Shin](https://www.hhs.se/en/houseoffinance/outreach/conferences/annual-conferences/money-markets-in-a-new-era-of-central-bank-policies/participants/2021/hyun-song-shin/) (Bank for International Settlements) "Non-bank financial intermediaries and the post-crisis landscape"

[https://www.hhs.se/en/house](https://www.hhs.se/en/houseoffinance/outreach/conferences/annual-conferences/money-markets-in-a-new-era-of-central-bank-policies/participants/2021/hyun-song-shin/)  
[offinance/outreach/conferences/annual-conferences/money-markets-in-a-new-era-of-central-bank-policies/participants/2021/hyun-song-shin/](https://www.hhs.se/en/houseoffinance/outreach/conferences/annual-conferences/money-markets-in-a-new-era-of-central-bank-policies/participants/2021/hyun-song-shin/)

This conference has seriously updated what we should know about central banking.

Other notable papers:

Amir Sufi and Alan Taylor. Financial Crises: A Survey NBER Working paper 29155O. Presented at Jackson Hole

Amir Sufi and Alan Taylor. Financial Crises: A Survey NBER Working paper 29155

Duffy [Darrell Duffie](https://www.hhs.se/en/houseoffinance/outreach/conferences/annual-conferences/money-markets-in-a-new-era-of-central-bank-policies/participants/2021/darrell-duffie/) (Stanford University) ["How much central bank money does it now take to run the financial system?"](https://www.hhs.se/globalassets/swedish-house-of-finance/conference/annual-conference-2021/stockholm-copeland-duffie-yang-august2021.pdf)   
From work with Adam Copeland and David Yilin Yang "[Reserves Were Not So Ample After All](https://www.newyorkfed.org/research/staff_reports/sr974.html)," with Adam Copeland and Yilin (David) Yang, Federal Reserve Bank of New York Staff Report Number 974, July, 2021. Opened the conference

[Imène Rahmouni-Rousseau](https://www.hhs.se/en/houseoffinance/outreach/conferences/annual-conferences/money-markets-in-a-new-era-of-central-bank-policies/participants/2021/imene-rahmouni-rousseau/) (European Central Bank) ["Money markets at the crossroads"](https://www.hhs.se/globalassets/swedish-house-of-finance/conference/annual-conference-2021/imene-rahmouni-shof-annual-conference-23-25-august-2021.pdf)

Quentin Vandeweyer (organizer of this money markets conference, one of many good papers)

[Imène Rahmouni-Rousseau](https://www.hhs.se/en/houseoffinance/outreach/conferences/annual-conferences/money-markets-in-a-new-era-of-central-bank-policies/participants/2021/imene-rahmouni-rousseau/) (European Central Bank) ["Money markets at the crossroads"](https://www.hhs.se/globalassets/swedish-house-of-finance/conference/annual-conference-2021/imene-rahmouni-shof-annual-conference-23-25-august-2021.pdf)

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ShadowBanks\_fundrisk.pdf

Repo\_Madness\_Draft.pdf

ShortTermAssetsjmp\_qv.pdf

Perry Mehrling The New Lombard Street: How the Fed became the dealer of last resort (Princeton 2011).  Recent papers and video are available on his website <http://sites.bu.edu/perry/>

Lecture notes Economics of Money and Banking Coursera.  I'm taking this course because I know nothing about this.  This is what money and banking courses should be about.  I saw lots of chatter on #econtwitter of how out of date are all M and B textbooks.

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“Principles for the Development of a Complete Mind: Study the art of science. Develop your senses – especially learn how to see. Realize that everything connects to everything else.” – Leonardo da Vinci

* Monika Piazzesi  The short rate disconnect in a monetary economy.  Stanford <https://web.stanford.edu/~piazzesi/disconnect.pdf>
* Quentin Vandemeyer. Chicago Booth Treasury Debt and the Pricing of Short term assets <https://www.dropbox.com/s/x2wj9dxemwlzfnf/jmp_qv.pdf?dl=0>